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March 1, 2002

HAND-DELIVERED

Nancy Cole
Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: Rio Verde Utilities Inc.: Docket No. WS-02156A-00-0323; Decision No. 63585;
Compliance

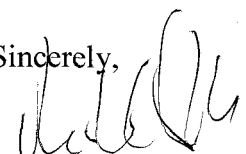
Dear Ms. Cole:

The subject Decision required the Company to file the final documentation on the subject loan within thirty days of closing.

Attached are 10 copies of the closing documents as received from the lender on February 14, 2002.

In the event you have any questions regarding this matter, please do not hesitate to call.

Sincerely,


Richard L. Sallquist
For the Firm

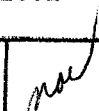
Enclosures

cc: Jim Thomson

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCKET CONTROL



P.O. Box 5110
Denver, Colorado 80217
5500 South Quebec Street
Greenwood Village, Colorado 80111
Phone: (303) 740-4000
Fax: (303) 740-4002

February 14, 2002

Mr. Jim Thomson
Vice President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, AZ 85263

RE: \$2,470,000 Term Loan Facility between CoBank, ACB and Rio Verde Utilities, Inc.

Dear Mr. Thomson:

Enclosed for your files are copies of the following fully executed documents related to Rio Verde's loans with CoBank:

1. Master Loan Agreement No. ML0864;
2. Promissory Note and Multiple Advance Term Loan Supplement No. ML0864T1 in the principal amount of \$2,470,000; and
3. Promissory Note and Consolidating Term Loan Supplement No. ML0864T2.

Once again, thank you for choosing CoBank!

Sincerely,

Leana Robertson
Loan Services Facilitator

Enclosures

MASTER LOAN AGREEMENT

THIS MASTER LOAN AGREEMENT (this "Agreement") is entered into as of August 16, 2001, between **RIO VERDE UTILITIES, INC.** (the "Company") and **CoBANK, ACB** ("CoBank").

BACKGROUND

From time to time, the Company may borrow from CoBank. In order to reduce the amount of paperwork associated therewith, CoBank and the Company would like to enter into a master loan agreement. Such is the purpose of this Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and CoBank agree as follows:

SECTION 1. Note and Supplements. In the event the Company desires to borrow from CoBank and CoBank is willing to lend to the Company, or in the event the parties desire to consolidate any existing loans hereunder, the parties will enter into a Promissory Note and Supplement to this Agreement (a "Note and Supplement"). Each Note and Supplement will set forth CoBank's commitment to make a loan or loans to the Company, the amount of the loan(s), the purpose of the loan(s), the interest rate or rate options applicable to the loan(s), the repayment terms of the loan(s), and any other terms and conditions applicable to the particular loan(s). Each Note and Supplement will also contain a promissory note of the Company setting forth the Company's obligation to make payments of interest on the unpaid principal balance of the loan(s), and fees and premiums, if any, and to repay the principal balance of the loan(s). Each loan will be governed by the terms and conditions contained in this Agreement and in the Note and Supplement relating to that loan.

SECTION 2. Notice and Manner of Borrowing. Loans will be made available on any day on which CoBank and the Federal Reserve Banks are open for business (a "Business Day") upon the telephonic or written request of an authorized employee of the Company. Requests for loans must be received by 12:00 noon Company's local time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds. Wire transfers will be made to such account or accounts as may be authorized by the Company.

SECTION 3. Payments. Payments under each Note and Supplement shall be made by wire transfer of immediately available funds, by check or by automated clearing house or other similar cash handling processes as specified by separate agreement between the Company and CoBank. Wire transfers shall be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as CoBank may direct by notice). The Company shall give CoBank telephonic notice no later than 12:00 noon Company's local time of its intent to pay by wire, and funds received after 3:00 p.m. Company's local time shall be credited on the next Business Day. Checks shall be mailed to CoBANK, Department 167, Denver, Colorado 80291-0167 (or to such other place as CoBank may direct by notice). Credit for payment by check will not be given until the latter of the next Business Day after receipt of the check or the day on which CoBank receives immediately available funds.

SECTION 4. Security. The Company's obligations under this Agreement and each Note and Supplement shall be secured by a statutory first lien on all equity that the Company may now own or hereafter acquire or be allocated in CoBank. In addition, the Company's obligations under a Note and

Supplement, and, to the extent related thereto, this Agreement, shall be secured to the extent (if any) provided in the Note and Supplement.

SECTION 5. Conditions Precedent.

(A) **Conditions to Initial Note and Supplement.** CoBank's obligation to extend credit under the initial Note and Supplement hereto is subject to the condition precedent that CoBank receive, in form and substance satisfactory to CoBank, each of the following:

(1) **This Agreement.** A duly executed original copy of this Agreement and all instruments and documents contemplated hereby.

(2) **Delegation Form.** A duly completed and executed original copy of a CoBank Delegation and Wire and Electronic Transfer Authorization Form.

(3) **Environmental Condition.** Such evidence as CoBank shall require that the Company and its properties are in material compliance with all applicable environmental laws, codes, rules, regulations, orders, permits and the like (collectively, "Laws").

(B) **Conditions to Each Note and Supplement.** CoBank's obligations to extend credit under each Note and Supplement hereto, including the initial Note and Supplement, is subject to the condition precedent that CoBank receive, in form and substance satisfactory to CoBank, each of the following:

(1) **Note and Supplement.** A duly executed original copy of the Note and Supplement and all instruments and documents contemplated by the Note and Supplement.

(2) **Evidence of Authority.** Such certified board resolutions, evidence of incumbency, and other evidence that CoBank may require that the Note and Supplement, all instruments and documents executed in connection therewith, and, in the case of the initial Note and Supplement hereto, this Agreement and all instruments and documents executed in connection herewith, have been duly authorized and executed.

(3) **Consents and Approvals.** Such evidence as CoBank may require that all regulatory and other consents and approvals referred to in Section 6(D) hereof have been obtained and are in full force and effect.

(4) **Fees and Other Charges.** Any fees or other charges provided for herein or in the Note and Supplement.

(5) **Insurance.** Such evidence as CoBank may require that the Company is in compliance with Section 7(C) hereof.

(6) **Security.** In the event the Note and Supplement provides for security, such evidence as CoBank shall require that all steps required by CoBank to enable CoBank to obtain and perfect its lien on the security have been taken and that such lien has the priority contemplated by the Note and Supplement.

(7) **Opinion of Counsel.** An opinion of counsel to the Company (which counsel must be acceptable to CoBank).

(C) **Conditions to Each Loan.** CoBank's obligation under each Note and Supplement to make any loan to the Company thereunder is subject to the condition that no "Event of Default" (as defined in Section 10 hereof) or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would ripen into an Event of Default (a "Potential Default") shall have occurred and be continuing.

SECTION 6. Representations and Warranties. The execution by the Company of each Note and Supplement hereto shall constitute a representation and warranty that:

(A) **Application.** Each representation and warranty and all information set forth in any application or other document submitted in connection with, or to induce CoBank to enter into, such Note and Supplement is correct in all material respects as of the date of such Note and Supplement.

(B) **Budgets.** All budgets, projections, feasibility studies, and other documentation submitted by the Company to CoBank in connection with, or to induce CoBank to enter into, such Note and Supplement are based upon assumptions that are reasonable and realistic, and as of the date of such Note and Supplement, no fact has come to light, and no event has occurred, which would cause any assumption made therein to not be reasonable or realistic.

(C) **Conflicting Agreements.** Neither this Agreement nor any Note and Supplement or other instrument or document securing or otherwise relating hereto or to any Note and Supplement (collectively, at any time, the "Loan Documents") conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Company is a party or by which it or any of its property may be bound or affected, and does not conflict with any provision of its bylaws, articles of incorporation or other organizational documents.

(D) **Consents and Approvals.** No consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Company is a party or by which it or any of its property may be bound or affected, is necessary in connection with the project, acquisition or other activity being financed by such Note and Supplement, or the execution, delivery, performance or enforcement of the Loan Documents, except as have been obtained and are in full force and effect.

(E) **Compliance.** The Company is in compliance with all of the terms of the Loan Documents and no Event of Default or Potential Default exists.

(F) **Binding Agreement.** The Loan Documents create legal, valid, and binding obligations of the Company which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency or similar Laws affecting creditors' rights generally.

(G) **Water Rights and System Condition.** The Company has water rights with such amounts, priorities and qualities as are necessary to service adequately the Company's customers and members. The Company controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, has not abandoned such water rights, or any of them, and has not done any act or thing which would impair or cause the loss of any such water rights. The Company's utility facilities reasonably meet present demand in all material respects, are constructed in a good and professional manner, are in good working order and condition, and comply in all material respects with all applicable Laws.

(H) **Rate Matters.** The Company's rates for the provision of water have been approved, if applicable, by any and all necessary governmental regulatory authorities, including, without limitation, each public service commission or public utilities commission which may have jurisdiction over the operations and rates of the Company. Further, there is no pending, and to the Company's knowledge, no threatened proceeding before any governmental authority, the objective or result of which is or could be to materially reduce or otherwise materially adversely change any of the Company's rates for the provision of water and/or waste water services, or otherwise have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Company.

SECTION 7. Affirmative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company agrees to:

(A) **Corporate Existence, Etc.** Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by Law.

(B) **Compliance With Laws.** Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection. In addition, the Company agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

(C) **Insurance.** Maintain insurance with insurance companies or associations acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same business and similarly situated, and make such increases in the type or amount of coverage as CoBank may reasonably request. All such policies insuring any collateral for the Company's obligations to CoBank shall have lender or mortgagee loss payable clauses or endorsements in form and content acceptable to CoBank. At CoBank's request, the Company agrees to deliver to CoBank such proof of compliance with this Subsection as CoBank may require.

(D) **Property Maintenance.** Maintain all of its property that is necessary to or useful in the proper conduct of its business in good repair, working order, and condition, ordinary wear and tear excepted, and make all alterations, replacements, and improvements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. The Company agrees that at CoBank's request, which request may not be made more than once a year, the Company will furnish to CoBank a report on the condition of the Company's property prepared by a professional engineer satisfactory to CoBank.

(E) **Books and Records.** Keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles ("GAAP") consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company).

(F) **Inspection.** Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books and records, and to discuss its affairs, finances and accounts with its officers, directors, employees, and independent certified public accountants.

(G) Reports and Notices. Furnish to CoBank:

(1) Annual Financial Statements. As soon as available, but in no event more than 120 days after the end of each fiscal year of the Company occurring during the term hereof, annual financial statements of the Company prepared in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company). Such financial statements shall: (a) be audited by independent certified public accountants selected by the Company and acceptable to CoBank; (b) be accompanied by a report of such accountants containing an opinion thereon acceptable to CoBank; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(2) Interim Financial Statements. As soon as available, but in no event more than 60 days after the end of each fiscal quarter of the Company, a balance sheet of the Company as of the end of such quarter, a statement of income for the Company for such period and for the period year-to-date, and such other interim statements as CoBank may specifically request, all prepared in reasonable detail and in comparative form in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company).

(3) Notice of Default. Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, the occurrence of any breach, default, event of default or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the Company is a party or by which it or any of its property may be bound or affected.

(4) Notice of Litigation, Environmental Matters, Etc. Promptly after becoming aware thereof, notice of: (a) the commencement of any action, suit or proceeding before any court, arbitrator or governmental instrumentality which, if adversely decided, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Company; (b) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the Company to undertake or to contribute to a clean-up or other response under any environmental Law, or which seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such Law, or which claims personal injury or property damage as a result of environmental factors or conditions; and (c) any matter which could have a material adverse effect on the Company, including any decision of any regulatory authority or commission.

(5) Notice of Certain Events. Notice of each of the following at least 30 days prior thereto: (a) any change in the Company's name or corporate structure; and (b) any change in the principal place of business of the Company or the office where its records concerning its accounts are kept.

(6) Financial Covenant Certificates. Together with each set of financial statements furnished to CoBank pursuant to Section 7(G)(1) and (2) hereof for a period corresponding to a period for which one or more of the financial covenants set forth in Section 7(G)(1) and (2) hereof are required to be tested, a certificate of an officer or employee of the Company acceptable to CoBank setting forth calculations showing compliance in form attached hereto as Exhibit A, with each of the financial covenants that require compliance at the end of the period for which the statements are being furnished.

(7) Annual Budgets. As soon as available, but in no event more than 30 days after the end of any fiscal year of the Company occurring during the term hereof, copies of the Company's annual budgets and forecasts of operations and capital expenditures.

(8) **Other Information.** Such other information regarding the condition or operations, financial or otherwise, of the Company as CoBank may from time to time reasonably request, including, but not limited to, copies of all pleadings, notices and communications referred to in Subsection (G)(4) above.

(H) **Capital.** Acquire non-voting participation certificates in CoBank in such amounts and at such times as CoBank may from time to time require in accordance with its Bylaws and Capital Plan (as each may be amended from time to time), except that the maximum amount of non-voting participation certificates that the Company may be required to purchase in connection with a loan may not exceed the maximum amount permitted by the Bylaws at the time the Note and Supplement relating to such loan is entered into or such loan is renewed or refinanced by CoBank. The rights and obligations of the parties with respect to such non-voting participation certificates and any patronage or other distributions made by CoBank shall be governed by CoBank's Bylaws.

(I) **Water Rights.** Maintain or procure water rights with such amounts, priorities and qualities as are necessary to service adequately the Company's customers and members. The Company will continue to control, own or have access to all such water rights free and clear of the interest of any third party, will not suffer or permit any transfer or encumbrance of such water rights, will not abandon such water rights, or any of them, and will not do any act or thing which would impair or cause the loss of any such water rights.

SECTION 8. Negative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect the Company will not:

(A) **Borrowings.** Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, letters of credit, or the deferred purchase price of property or services (including leases which should be capitalized on the books of the lessee in accordance with GAAP (or the appropriate standards of the regulatory agency having jurisdiction over the Company)), except for: (1) debt to CoBank; (2) accounts payable to trade creditors incurred in the ordinary course of business; (3) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business; (4) stockholders debt subordination to CoBank, not to exceed \$657,000.00 at any one time; and (5) leases which should be capitalized in accordance with GAAP (or the appropriate standards of the regulatory agency having jurisdiction over the Company) and which do not, in the aggregate, require the Company to make scheduled payments to the lessors in any fiscal year of the Company in excess of \$10,000.00.

(B) **Liens.** Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"). The foregoing restrictions shall not apply to: (1) Liens in favor of CoBank; (2) Liens for taxes, assessments, or governmental charges that are not past due; (3) pledges and deposits under workers' compensation, unemployment insurance, and social security Laws; (4) pledges and deposits to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of business as conducted on the date hereof; (5) Liens imposed by Law in favor of mechanics, material suppliers, warehouses, and like persons that secure obligations that are not past due; and (6) easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment of the property or assets encumbered thereby in the normal course of business or materially impair the value of the property subject thereto.

(C) **Mergers, Acquisitions, Etc.** Merge or consolidate with any other entity or acquire all or a material part of the assets of any person or entity, or commence operations under any other name, organization, or entity, including any joint venture.

(D) **Sale of Assets.** Sell, transfer, lease, or otherwise dispose of any of its assets except for: (1) the sale or other disposition of inventory in the ordinary course of business; and (2) the sale or other disposition in the ordinary course of business of equipment no longer necessary or useful in the proper operation of the Company's business.

(E) **Loans and Investments.** Make any loan or advance to, or make any investment in, or make any capital contribution to, or purchase or make any commitment to purchase any stock, bonds, notes, or other securities of, any person or entity, except for: (1) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof; and (2) equity in, or obligations of, CoBank.

(F) **Contingent Liabilities.** Assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

(G) **Change in Business.** Engage in any business activities or operations substantially different from or unrelated to the Company's present business activities or operations.

(H) **Transactions with Affiliates.** Enter into any transaction with any affiliate except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than would obtain in a comparable arm's-length transaction with a person or entity that was not an affiliate.

(I) **Change in Management and/or Service Contracts.** Make any change in any management and/or service contracts.

(J) **Payments on Subordinated Debt.** Make payments on subordinated debt unless, upon the delivery to CoBank of the Company's annual audited financial statement and an officer's certificate in form and content acceptable to CoBank, the Company shall have demonstrated that it will meet its DSC after having given effect to such payment. Thereafter, the Company may pay any amount due and unpaid on subordinated debt substantially by the said officer's certificate.

SECTION 9. Financial Covenants.

(A) **Debt Service Coverage Ratio.** The Company will have at the end of each fiscal year of the Company, a "Debt Service Coverage Ratio" (as defined below) for such year of not less than 1.25 to 1. For purposes hereof, "Debt Service Coverage Ratio" shall mean the ratio of: (1) net income (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus depreciation expense, amortization expense, and interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures; to (2) all principal payments due within the period on all long term debt (including all leases which should be capitalized in accordance with GAAP (or the appropriate standards of the regulatory agency having jurisdiction over the Company)) plus interest expense (all as calculated accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company)).

(B) **Debt to Operating Cash Flow.** The Company will have at the end of each fiscal year, a "Debt to Operating Cash Flow Ratio" (as defined below) of not greater than 8.00 to 1. For purposes hereof, a "Debt to Operating Cash Flow Ratio" shall mean a ratio of total debt as of the end of the fiscal year to the sum of net income (after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), interest expense, depreciation expense, amortization expense and income tax expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures for such fiscal year (all as calculated in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company)).

SECTION 10. Events of Default. Each of the following shall constitute an "Event of Default" hereunder:

- (A) **Payment Default.** The Company should fail to make any payment to CoBank when due.
- (B) **Representations and Warranties.** Any opinion, certificate or like document furnished to CoBank by or on behalf of the Company, or any representation or warranty made by the Company herein, in any security instrument or document, or in any other Loan Document, shall prove to have been false or misleading in any material respect on or as of the date furnished or made.
- (C) **Covenants.** The Company should fail to perform or comply with any covenant set forth in Section 7 hereof (other than Sections 7(G)(3), (4), and (5) hereof) and such failure continues for 30 days after written notice thereof shall have been delivered to the Company by CoBank.
- (D) **Other Covenants and Agreements.** The Company should fail to perform or comply with Sections 7(G)(3), (4), or (5) hereof or any other covenant or agreement contained herein or in a Note and Supplement or shall use the proceeds of any loan for any unauthorized purpose.
- (E) **Cross Default.** The Company should, after any applicable grace period, breach or be in default under the terms of any other Loan Document (including, without limitation, any security instrument or document) or any other agreement between the Company and CoBank.
- (F) **Other Indebtedness.** The Company's obligation to pay any indebtedness for borrowed money or any long-term obligation for the deferred purchase price of property or services shall be accelerated or declared due and payable prior to its scheduled due date as a result of the occurrence of any breach or default under any agreement relating to such indebtedness or obligation. Notwithstanding the foregoing or any other provision hereof, the Company agrees that upon the occurrence and during the continuance of any event giving rise to the right to accelerate such indebtedness or obligation (whether or not such right is conditioned upon the giving of notice and/or the passage of time and/or the occurrence of any other condition), a Potential Default shall be deemed to have occurred and be continuing hereunder.
- (G) **Judgments.** A judgment, decree, or order for the payment of money in the aggregate in excess of \$25,000 shall have been rendered against the Company and either: (1) enforcement proceedings shall have been commenced; (2) a Lien prohibited by this Agreement, or security instrument or document, or any other Loan Document, shall have been obtained; or (3) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.
- (H) **Insolvency, Etc.** The Company shall: (1) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (2) suspend its business operations or a material part thereof or make an assignment for the benefit of

creditors; or (3) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (4) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian and such action or proceeding is not dismissed within 30 days of the date thereof, or a trustee, receiver, or other custodian is appointed for all or any part of its property; or (5) receive notice from any regulatory or governmental authority to the effect that such authority intends to replace the management of the Company or assume control over the Company; or (6) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

(I) Material Adverse Change. Any material adverse change occurs, as reasonably determined by CoBank, in the condition, financial or otherwise, operations, business, or properties of the Company or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

SECTION 11. Remedies. Upon the occurrence and during the continuance of an Event of Default or Potential Default, CoBank shall have no obligation to extend or continue to extend credit to the Company and may discontinue doing so at any time without prior notice or other limitation. In addition, upon the occurrence and during the continuance of any Event of Default, CoBank may, upon notice to the Company:

(A) Termination and Acceleration. Terminate any commitment and declare the unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Agreement, each Note and Supplement, and all other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company.

(B) Enforcement. Proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Agreement, any security instrument or document, any other Loan Document, or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any future or other exercise thereof, or the exercise of any other right. Without limiting the foregoing, CoBank may hold and/or set off and apply against the Company's obligations to CoBank the proceeds of any equity in CoBank, any cash collateral held by CoBank, or any balances held by CoBank for the Company's account (whether or not such balances are then due).

(C) Application of Funds. CoBank may apply all payments received by it to the Company's obligations to CoBank in such order and manner as CoBank may elect in its sole discretion.

In addition to the rights and remedies set forth above and notwithstanding any Note and Supplement: (i) if prior to the maturity of any loan the Company fails to make any payment to CoBank when due, then at CoBank's option in each instance, such payment shall bear interest from the date due to the date paid at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Note and Supplement; and (ii) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) shall automatically bear interest at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Note and Supplement. All interest provided for herein shall be payable on demand and shall be calculated on the basis of a year consisting of 360 days.

SECTION 12. Miscellaneous.

(A) **Broken Funding Surcharge.** Notwithstanding the terms of any Note and Supplement, the Company agrees to pay to CoBank a broken funding surcharge in the amount set forth below in the event the Company: (1) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (2) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (3) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge shall be in an amount equal to the sum of: (a) the present value of any funding losses imputed by CoBank to have been incurred as a result of such payment, conversion or failure; plus (b) a per annum yield of 1/2 of 1% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate. Such surcharge shall be determined and calculated in accordance with methodology established by CoBank, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and of the broken funding charge section of a forward fix agreement between CoBank and the Company, the provisions of the forward fix agreement shall control.

(B) **Complete Agreement, Amendments, Etc.** The Loan Documents are intended by the parties to be a complete and final expression of their agreement. No amendment, modification, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Company herefrom or therefrom, shall be effective unless approved by CoBank and contained in a writing signed by or on behalf of CoBank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event this Agreement is amended or restated, each such amendment or restatement shall be applicable to all Note and Supplements hereto. Each Note and Supplement shall be deemed to incorporate all of the terms and conditions of this Agreement as if fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Note and Supplement (or in any amendment to this Agreement or any Note and Supplement) and not otherwise defined in the Note and Supplement (or amendment) shall have the meaning set forth herein.

(C) **Applicable Law.** Except to the extent governed by federal Law, this Agreement and each Note and Supplement shall be governed by the Laws of the State of Colorado, without reference to choice of law doctrine.

(D) **Notices.** All notices hereunder shall be in writing and shall be deemed to have been duly given upon delivery if personally delivered or sent by facsimile or similar transmission, or 3 days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address as either party may specify by like notice):

If to CoBank, as follows:
CoBank, ACB
5500 S. Quebec Street
Greenwood Village, CO 80111
Attn: Communications and Energy
Banking Group
Fax No.: (303) 740-4002

If to the Company, as follows:
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, AZ 85263
Attn: Vice President
Fax No.: (480) 471-7636

(E) **Costs, Expenses, and Taxes.** To the extent allowed by Law, the Company agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained by CoBank) incurred by CoBank and any participants from CoBank in connection with the origination, administration, collection and enforcement of this Agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in obtaining, perfecting, maintaining, determining the

priority of, and releasing any security for the Company's obligations to CoBank, and any stamp, intangible, transfer or like tax incurred in connection with this Agreement or any other Loan Document or the recording hereof or thereof.

(F) **Effectiveness and Severability.** This Agreement shall continue in effect until: (1) all indebtedness and obligations of the Company under this Agreement and the other Loan Documents shall have been paid or satisfied; (2) CoBank has no commitment to extend credit to or for the account of the Company under any Note and Supplement; and (3) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or thereof.

(G) **Successors and Assigns.** This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Company and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of CoBank.

(H) **Participations, Etc.** From time to time, CoBank may sell to one or more banks, financial institutions or other lenders a participation in one or more of the loans or other extensions of credit made pursuant to this Agreement. However, no such participation shall relieve CoBank of any commitment made to the Company hereunder. In connection with the foregoing, CoBank may disclose information concerning the Company and its subsidiaries, if any, to any participant or prospective participant, provided that such participant or prospective participant agrees to keep such information confidential. CoBank agrees that all loans that are made by CoBank and that are retained for its own account and are not included in a sale of a participation interest shall be entitled to patronage distributions in accordance with the bylaws of CoBank and its practices and procedures related to patronage distribution. Accordingly, all loans that are included in a sale of a participation interest shall not be entitled to patronage distributions. A sale of a participation interest may include certain voting rights of the participants regarding the loans hereunder (including without limitation the administration, servicing and enforcement thereof). CoBank agrees to give written notification to the Company of any sale of a participation interest.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: _____

Title: _____

RIO VERDE UTILITIES, INC.

By: _____

Title: _____

11-20-01
@

Copy

Loan No. ML0864T1

PROMISSORY NOTE AND CONSOLIDATING TERM LOAN SUPPLEMENT

THIS PROMISSORY NOTE AND SUPPLEMENT to the Master Loan Agreement dated as of August 16, 2001 (the "MLA"), is entered into as of August 16, 2001 between **RIO VERDE UTILITIES, INC.** (the "Company") and **CoBANK, ACB** ("CoBank").

SECTION 1. Consolidation. The loan(s) (the "Loan") made by CoBank under the Loan Agreement dated January 19, 1996 and numbered T0175 (as amended, the "Existing Agreement") are hereby consolidated under the MLA. Henceforth, the Loan will be governed by the terms hereof and the MLA. The Existing Agreement and Promissory Note dated January 19, 1996 and numbered T0175 in the principal amount of \$2,000,000.00 (the "Existing Note") shall be deemed to be amended and restated in their entirety by the MLA and this Promissory Note and Supplement. The execution of this Promissory Note and Supplement shall not constitute a novation of the indebtedness outstanding under the Existing Agreement and the Existing Note. As of August 9, 2001, the unpaid principal balance of the Loan is \$1,757,671.81.

SECTION 2. Purpose. The purpose of the Loan was to finance the partial funding of system improvements and to refinance existing indebtedness.

SECTION 3. Interest. The Company agrees to pay interest on the unpaid principal balance of the loans in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank from time to time as its National Variable Rate, which Rate is intended by CoBank to be a reference rate and not its lowest rate. The National Variable Rate will change on the date established by CoBank as the effective date of any change therein and CoBank agrees to notify the Company promptly after any such change.

(B) **Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance.

The Company shall select the applicable rate option at the time it requests the loans hereunder and may, on any Business Day, elect to convert balances bearing interest at the variable rate option to the fixed rate option. In addition, prior to the expiration of any fixed rate period, the Company may, subject to Section 12(A) of the MLA, convert any fixed rate balance to the variable rate option or refix the rate at a new rate to be quoted by CoBank. Upon the expiration of any fixed rate period, the Company may, subject to the terms hereof, refix the rate or convert the rate to the variable rate option. In the absence of any such election, interest shall automatically accrue at the variable rate option. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 noon Company's local time. Interest shall be calculated on the actual number of days the loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month.

SECTION 5. Promissory Note. The Company promises to repay the unpaid principal balance of the Loan in accordance with the schedule attached hereto as Exhibit A. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day. In addition

to the above, the Company promises to pay interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above.

SECTION 6. Prepayment. Subject to Subsection 12(A) of the MLA, the Company may, on one Business Day's prior written notice prepay all or any portion of the loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 7. Security. In addition to the security set forth in the MLA, the Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured by: (a) an Amended and Restated Real Estate Deed of Trust and Security Agreement dated August 16, 2001, made by and among the Company and CoBank (as amended, supplemented or restated from time to time, the "Deed of Trust"); and (b) that Pledge Agreement dated January 15, 1996, made by the Parent in favor of CoBank (as amended, supplemented or restated from time to time, the "Pledge Agreement"), pledging its ownership interest in the Company. The Company agrees to take such steps, including the execution of such instruments and documents, as CoBank may require in order to ensure that such obligations are secured by the Deed of Trust and the Pledge Agreement

SECTION 8. Affirmative Covenants. In addition to the affirmative covenants set forth in the MLA, while this Supplement is in effect and unless CoBank otherwise consents in writing, the Company will maintain a debt service reserve account (the "Reserve") in the amount of \$177,000.00. The funds in the Reserve shall be held in a cash investment services account at CoBank and invested in obligations of CoBank or financial institutions acceptable to CoBank. The Company hereby pledges and grants to CoBank a security interest in the Reserve (including all interest earned thereon) as security for the Company's obligations to CoBank under the Loan Documents. However, as long as no Event of Default or Potential Default shall have occurred and be continuing, interest on the Company's investments in the Reserve may be paid to the Company in the ordinary course. Investments in CoBank are uninsured and unsecured general obligations of CoBank which is regulated by the Farm Credit Administration and exempt from registration under federal law.

IN WITNESS WHEREOF, the parties have caused Promissory Note and this Supplement to the MLA to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: _____

Title: _____

RIO VERDE UTILITIES, INC.

By: _____

Title: _____

11-2001 (12)

EXHIBIT A
TO
PROMISSORY NOTE AND CONSOLIDATING TERM LOAN SUPPLEMENT
NO. ML0864T1

COBANK
PRINCIPAL PAYMENT REPORT
As of Date: 8/09/01

Prepaid Prin... .00 878,835.80
Total Payments Displayed....

Customer #	Customer Name	Obligation #	Due Date	Payment Amount
30047733	RIO VERDE UTILITIES, INC.	000601883	08/20/2001	2,453.15
			09/20/2001	2,470.52
			10/20/2001	2,488.02
			11/20/2001	2,505.65
			12/20/2001	2,523.39
			01/20/2002	2,541.27
			02/20/2002	2,559.27
			03/20/2002	2,577.40
			04/20/2002	2,595.65
			05/20/2002	2,614.04
			06/20/2002	2,632.56
			07/20/2002	2,651.20
			08/20/2002	2,669.98
			09/20/2002	2,688.89
			10/20/2002	2,707.94
			11/20/2002	2,727.12
			12/20/2002	2,746.44
			01/20/2003	2,765.89
			02/20/2003	2,785.48
			03/20/2003	2,805.21
			04/20/2003	2,825.09
			05/20/2003	2,845.10
			06/20/2003	2,865.25
			07/20/2003	2,885.54
			08/20/2003	2,905.98
			09/20/2003	2,926.57
			10/20/2003	2,947.30
			11/20/2003	2,968.17
			12/20/2003	2,989.20
			01/20/2004	3,010.37
			02/20/2004	3,031.70
			03/20/2004	3,053.17
			04/20/2004	3,074.80
			05/20/2004	3,096.58
			06/20/2004	3,118.51
			07/20/2004	3,140.60
			08/20/2004	3,162.85
			09/20/2004	3,185.25
			10/20/2004	3,207.81
			11/20/2004	3,230.53
			12/20/2004	3,253.42
			01/20/2005	3,276.46
			02/20/2005	3,299.67
			03/20/2005	3,323.04
			04/20/2005	3,346.58
			05/20/2005	3,370.29
			06/20/2005	3,394.16

COBANK
PRINCIPAL PAYMENT REPORT
As of Date: 8/09/01

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Total Payments Displayed.... 878,835.80

Customer #	Customer Name	Obligation #	Due Date	Payment Amount
30047733	RIO VERDE UTILITIES, INC.	000601883	07/20/2005	3,418.20
			08/20/2005	3,442.41
			09/20/2005	3,466.80
			10/20/2005	3,491.35
			11/20/2005	3,516.08
			12/20/2005	3,540.99
			01/20/2006	3,566.07
			02/20/2006	3,591.33
			03/20/2006	3,616.77
			04/20/2006	3,642.39
			05/20/2006	3,668.19
			06/20/2006	3,694.17
			07/20/2006	3,720.34
			08/20/2006	3,746.69
			09/20/2006	3,773.23
			10/20/2006	3,799.96
			11/20/2006	3,826.87
			12/20/2006	3,853.98
			01/20/2007	3,881.28
			02/20/2007	3,908.77
			03/20/2007	3,936.46
			04/20/2007	3,964.34
			05/20/2007	3,992.42
			06/20/2007	4,020.70
			07/20/2007	4,049.18
			08/20/2007	4,077.86
			09/20/2007	4,106.75
			10/20/2007	4,135.84
			11/20/2007	4,165.13
			12/20/2007	4,194.64
			01/20/2008	4,224.35
			02/20/2008	4,254.27
			03/20/2008	4,284.41
			04/20/2008	4,314.75
			05/20/2008	4,345.32
			06/20/2008	4,376.10
			07/20/2008	4,407.09
			08/20/2008	4,438.31
			09/20/2008	4,469.75
			10/20/2008	4,501.41
			11/20/2008	4,533.29
			12/20/2008	4,565.40
			01/20/2009	4,597.74
			02/20/2009	4,630.31
			03/20/2009	4,663.11
			04/20/2009	4,696.14
			05/20/2009	4,729.40

COBANK
PRINCIPAL PAYMENT REPORT
As of Date: 8/09/01

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Total Payments Displayed.... 878,835.80

Customer # Customer Name
30047733 RIO VERDE UTILITIES, INC.

Obligation #	Due Date	Payment Amount
000601883	06/20/2009	4,762.90
	07/20/2009	4,796.64
	08/20/2009	4,830.62
	09/20/2009	4,864.83
	10/20/2009	4,899.29
	11/20/2009	4,934.00
	12/20/2009	4,968.94
	01/20/2010	5,004.14
	02/20/2010	5,039.59
	03/20/2010	5,075.28
	04/20/2010	5,111.23
	05/20/2010	5,147.44
	06/20/2010	5,183.90
	07/20/2010	5,220.62
	08/20/2010	5,257.60
	09/20/2010	5,294.84
	10/20/2010	5,332.34
	11/20/2010	5,370.12
	12/20/2010	5,408.15
	01/20/2011	5,446.46
	02/20/2011	5,485.04
	03/20/2011	5,523.89
	04/20/2011	5,563.02
	05/20/2011	5,602.42
	06/20/2011	5,642.11
	07/20/2011	5,682.07
	08/20/2011	5,722.32
	09/20/2011	5,762.85
	10/20/2011	5,803.67
	11/20/2011	5,844.78
	12/20/2011	5,886.18
	01/20/2012	5,927.88
	02/20/2012	5,969.87
	03/20/2012	6,012.15
	04/20/2012	6,054.74
	05/20/2012	6,097.63
	06/20/2012	6,140.82
	07/20/2012	6,184.32
	08/20/2012	6,228.12
	09/20/2012	6,272.24
	10/20/2012	6,316.67
	11/20/2012	6,361.41
	12/20/2012	6,406.47
	01/20/2013	6,451.85
	02/20/2013	6,497.55
	03/20/2013	6,543.57
	04/20/2013	6,589.92

COBANK
 PRINCIPAL PAYMENT REPORT
 As of Date: 8/09/01

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 Run Time: 10:45:35
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 Total Payments Displayed.... 878,835.80

Customer #	Customer Name	Obligation #	Due Date	Payment Amount
30047733	RIO VERDE UTILITIES, INC.	000601883	05/20/2013	6,636.60
			06/20/2013	6,683.61
			07/20/2013	6,730.95
			08/20/2013	6,778.63
			09/20/2013	6,826.65
			10/20/2013	6,875.00
			11/20/2013	6,923.70
			12/20/2013	6,972.74
			01/20/2014	7,022.13
			02/20/2014	7,071.87
			03/20/2014	7,121.97
			04/20/2014	7,172.41
			05/20/2014	7,223.22
			06/20/2014	7,274.38
			07/20/2014	7,325.91
			08/20/2014	7,377.80
			09/20/2014	7,430.06
			10/20/2014	7,482.69
			11/20/2014	7,535.69
			12/20/2014	7,589.07
			01/20/2015	7,642.83
			02/20/2015	7,696.96
			03/20/2015	7,751.48
			04/20/2015	7,806.39
			05/20/2015	7,861.68
			06/20/2015	7,917.37
			07/20/2015	7,973.45
			08/20/2015	8,029.93
			09/20/2015	8,086.81
			10/20/2015	8,144.09
			11/20/2015	8,201.78
			12/20/2015	8,259.87
			01/20/2016	8,318.38
			02/20/2016	8,377.30
			03/20/2016	8,436.64
			04/20/2016	8,496.40
			05/20/2016	8,556.58
			06/20/2016	8,616.89

COBANK
PRINCIPAL PAYMENT REPORT
As of Date: 8/09/01

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Total Payments Displayed.... 878,836.01

Customer #	Customer Name	Obligation #	Due Date	Payment Amount
30047733	RIO VERDE UTILITIES, INC.	000601892	08/20/2001	2,453.14
			09/20/2001	2,470.52
			10/20/2001	2,488.02
			11/20/2001	2,505.64
			12/20/2001	2,523.39
			01/20/2002	2,541.27
			02/20/2002	2,559.27
			03/20/2002	2,577.39
			04/20/2002	2,595.65
			05/20/2002	2,614.04
			06/20/2002	2,632.55
			07/20/2002	2,651.20
			08/20/2002	2,669.98
			09/20/2002	2,688.89
			10/20/2002	2,707.94
			11/20/2002	2,727.12
			12/20/2002	2,746.44
			01/20/2003	2,765.89
			02/20/2003	2,785.48
			03/20/2003	2,805.21
			04/20/2003	2,825.08
			05/20/2003	2,845.09
			06/20/2003	2,865.25
			07/20/2003	2,885.54
			08/20/2003	2,905.98
			09/20/2003	2,926.57
			10/20/2003	2,947.30
			11/20/2003	2,968.17
			12/20/2003	2,989.20
			01/20/2004	3,010.37
			02/20/2004	3,031.69
			03/20/2004	3,053.17
			04/20/2004	3,074.79
			05/20/2004	3,096.57
			06/20/2004	3,118.51
			07/20/2004	3,140.60
			08/20/2004	3,162.84
			09/20/2004	3,185.25
			10/20/2004	3,207.81
			11/20/2004	3,230.53
			12/20/2004	3,253.41
			01/20/2005	3,276.46
			02/20/2005	3,299.67
			03/20/2005	3,323.04
			04/20/2005	3,346.58
			05/20/2005	3,370.28
			06/20/2005	3,394.16

COBANK
PRINCIPAL PAYMENT REPORT
As of Date: 8/09/01

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Page: 2

Prepaid Prin.... .00 878,836.01
Total Payments Displayed....

Customer #	Customer Name	Obligation #	Due Date	Payment Amount
30047733	RIO VERDE UTILITIES, INC.	000601892	07/20/2005	3,418.20
			08/20/2005	3,442.41
			09/20/2005	3,466.79
			10/20/2005	3,491.35
			11/20/2005	3,516.08
			12/20/2005	3,540.99
			01/20/2006	3,566.07
			02/20/2006	3,591.33
			03/20/2006	3,616.77
			04/20/2006	3,642.39
			05/20/2006	3,668.19
			06/20/2006	3,694.17
			07/20/2006	3,720.34
			08/20/2006	3,746.69
			09/20/2006	3,773.23
			10/20/2006	3,799.95
			11/20/2006	3,826.87
			12/20/2006	3,853.98
			01/20/2007	3,881.28
			02/20/2007	3,908.77
			03/20/2007	3,936.46
			04/20/2007	3,964.34
			05/20/2007	3,992.42
			06/20/2007	4,020.70
			07/20/2007	4,049.18
			08/20/2007	4,077.86
			09/20/2007	4,106.75
			10/20/2007	4,135.84
			11/20/2007	4,165.13
			12/20/2007	4,194.63
			01/20/2008	4,224.35
			02/20/2008	4,254.27
			03/20/2008	4,284.40
			04/20/2008	4,314.75
			05/20/2008	4,345.31
			06/20/2008	4,376.09
			07/20/2008	4,407.09
			08/20/2008	4,438.31
			09/20/2008	4,469.74
			10/20/2008	4,501.41
			11/20/2008	4,533.29
			12/20/2008	4,565.40
			01/20/2009	4,597.74
			02/20/2009	4,630.31
			03/20/2009	4,663.10
			04/20/2009	4,696.14
			05/20/2009	4,729.40

COBANK
PRINCIPAL PAYMENT REPORT
As of Date: 8/09/01

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Page: 3

Prepaid Prin... .00
Total Payments Displayed.... 878,836.01

Customer #	Customer Name	Obligation #	Due Date	Payment Amount
30047733	RIO VERDE UTILITIES, INC.	000601892	06/20/2009	4,762.90
			07/20/2009	4,796.64
			08/20/2009	4,830.61
			09/20/2009	4,864.83
			10/20/2009	4,899.29
			11/20/2009	4,933.99
			12/20/2009	4,968.94
			01/20/2010	5,004.14
			02/20/2010	5,039.58
			03/20/2010	5,075.28
			04/20/2010	5,111.23
			05/20/2010	5,147.44
			06/20/2010	5,183.90
			07/20/2010	5,220.62
			08/20/2010	5,257.59
			09/20/2010	5,294.84
			10/20/2010	5,332.34
			11/20/2010	5,370.11
			12/20/2010	5,408.15
			01/20/2011	5,446.46
			02/20/2011	5,485.04
			03/20/2011	5,523.89
			04/20/2011	5,563.02
			05/20/2011	5,602.42
			06/20/2011	5,642.11
			07/20/2011	5,682.07
			08/20/2011	5,722.32
			09/20/2011	5,762.85
			10/20/2011	5,803.67
			11/20/2011	5,844.78
			12/20/2011	5,886.18
			01/20/2012	5,927.88
			02/20/2012	5,969.86
			03/20/2012	6,012.15
			04/20/2012	6,054.74
			05/20/2012	6,097.62
			06/20/2012	6,140.82
			07/20/2012	6,184.31
			08/20/2012	6,228.12
			09/20/2012	6,272.23
			10/20/2012	6,316.66
			11/20/2012	6,361.41
			12/20/2012	6,406.47
			01/20/2013	6,451.85
			02/20/2013	6,497.55
			03/20/2013	6,543.57
			04/20/2013	6,589.92

COBANK
PRINCIPAL PAYMENT REPORT
As of Date: 8/09/01

PJA 2\$CL048
Run Date: 8/09/01
Run Time: 10:46:03
Page: 4

Prepaid Prin.... .00
Total Payments Displayed.... 878,836.01

Customer #	Customer Name	Obligation #	Due Date	Payment Amount
30047733	RIO VERDE UTILITIES, INC.	000601892	05/20/2013	6,636.60
			06/20/2013	6,683.61
			07/20/2013	6,730.95
			08/20/2013	6,778.63
			09/20/2013	6,826.64
			10/20/2013	6,875.00
			11/20/2013	6,923.70
			12/20/2013	6,972.74
			01/20/2014	7,022.13
			02/20/2014	7,071.87
			03/20/2014	7,121.96
			04/20/2014	7,172.41
			05/20/2014	7,223.21
			06/20/2014	7,274.38
			07/20/2014	7,325.90
			08/20/2014	7,377.80
			09/20/2014	7,430.06
			10/20/2014	7,482.69
			11/20/2014	7,535.69
			12/20/2014	7,589.07
			01/20/2015	7,642.82
			02/20/2015	7,696.96
			03/20/2015	7,751.48
			04/20/2015	7,806.38
			05/20/2015	7,861.68
			06/20/2015	7,917.37
			07/20/2015	7,973.45
			08/20/2015	8,029.93
			09/20/2015	8,086.81
			10/20/2015	8,144.09
			11/20/2015	8,201.77
			12/20/2015	8,259.87
			01/20/2016	8,318.38
			02/20/2016	8,377.30
			03/20/2016	8,436.64
			04/20/2016	8,496.40
			05/20/2016	8,556.58
			06/20/2016	8,617.47

**PROMISSORY NOTE AND
MULTIPLE ADVANCE TERM LOAN SUPPLEMENT**

THIS PROMISSORY NOTE AND SUPPLEMENT to the Master Loan Agreement dated as of August 16, 2001 (the "MLA"), is entered into as of August 16, 2001 between **RIO VERDE UTILITIES, INC.** (the "Company") and **CoBANK, ACB** ("CoBank").

SECTION 1. The Term Loan Commitment. On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make loans to the Company from time to time during the period set forth below in an aggregate principal amount not to exceed \$2,470,000.00 (the "Commitment"). Under the Commitment, amounts borrowed and later repaid may not be re-borrowed.

SECTION 2. Purpose. The purpose of the Commitment is to finance the partial funding of system improvements and to refinance all existing short-term indebtedness to Second Arizona Rio Verde Company, 1974 (the "Parent").

SECTION 3. Term. The term of the Commitment shall be from the date hereof, up to but not including January 1, 2002, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid principal balance of each loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank from time to time as its National Variable Rate, which Rate is intended by CoBank to be a reference rate and not its lowest rate. The National Variable Rate will change on the date established by CoBank as the effective date of any change therein and CoBank agrees to notify the Company promptly after any such change.

(B) **Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance.

The Company shall select the applicable rate option at the time it requests each loan hereunder and may, on any Business Day, elect to convert balances bearing interest at the variable rate option to the fixed rate option. In addition, prior to the expiration of any fixed rate period, the Company may, subject to Section 12(A) of the MLA, convert any fixed rate balance to the variable rate option or refix the rate at a new rate to be quoted by CoBank. Upon the expiration of any fixed rate period, the Company may, subject to the terms hereof, refix the rate or convert the rate to the variable rate option. In the absence of any such election, interest shall automatically accrue at the variable rate option. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 noon Company's local time. Interest shall be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month.

SECTION 5. Loan Origination Fee. In consideration of the Commitment, the Company agrees to pay to CoBank on the execution hereof, a loan origination fee in the amount of \$24,700 of which \$12,350 was paid by check on July 13, 2001 by the Company in connection with the acceptance of

the commitment letter relating to the Commitment, and the remaining balance of which shall be paid by the Company on or before the date of closing.

SECTION 6. Promissory Note. The Company promises to repay the unpaid principal balance of the loans in 240 consecutive, monthly installments, payable on the 20th day of each month, with the first installment due on January 20, 2002, and the last installment due on December 20, 2021. The amount of each installment shall be the same principal amount that would be required to be repaid if the loans were scheduled to be repaid in level payments of principal and interest and such schedule was calculated utilizing CoBank's National Variable Rate on the date of this Supplement as the applicable rate of interest accruing on the loans. If any installment due date is not a Business Day, then such installment shall be due and payable on the next Business Day. In addition to the above, the Company promises to pay interest on the unpaid principal balance of the loans at the times and in accordance with the provisions set forth above.

SECTION 7. Prepayment. Subject to Section 12(A) of the MLA, the Company may on one Business Day's prior written notice prepay all or any portion of the loans. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 8. Security. In addition to the security set forth in the MLA, the Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured by: (a) an Amended and Restated Real Estate Deed of Trust and Security Agreement dated August 16, 2001, made by and among the Company and CoBank (as amended, supplemented or restated from time to time, the "Deed of Trust"); and (b) that Pledge Agreement dated January 15, 1996, made by the Parent in favor of CoBank (as amended, supplemented or restated from time to time, the "Pledge Agreement"), pledging its ownership interest in the Company. The Company agrees to take such steps, including the execution of such instruments and documents, as CoBank may require in order to ensure that such obligations are secured by the Deed of Trust and the Pledge Agreement.

SECTION 9. Affirmative Covenants. In addition to the affirmative covenants set forth in the MLA, while this Supplement is in effect and unless CoBank otherwise consents in writing, the Company will maintain a debt service reserve account (the "Reserve") in the amount of \$190,000. The funds in the Reserve shall be held in a cash investment services account at CoBank and invested in obligations of CoBank or financial institutions acceptable to CoBank. The Company hereby pledges and grants to CoBank a security interest in the Reserve (including all interest earned thereon) as security for the Company's obligations to CoBank under the Loan Documents. However, as long as no Event of Default or Potential Default shall have occurred and be continuing, interest on the Company's investments in the Reserve may be paid to the Company in the ordinary course. Investments in CoBank are uninsured and unsecured general obligations of CoBank which is regulated by the Farm Credit Administration and exempt from registration under federal law.

SECTION 10. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to extend credit hereunder shall be conditioned upon the following:

(A) **Title Insurance.** That CoBank receive an endorsement to policy number FTY 294252 issued by Grand Canyon Title Agency, Inc. insuring the Deed of Trust described therein as a continuing first lien on the property, subject only to those exceptions approved in writing by CoBank.

(B) **Funding the Reserve.** That CoBank receive evidence that the Reserve account contemplated in Section 9 hereof has been established.

(C) **Arizona Corporation Commission Approval.** That CoBank receive evidence of approval of CoBank debt by the Arizona Corporation Commission.

(D) **Arizona Department of Environmental Quality.** That CoBank receive evidence of approval of plan designs for the improvements by the Arizona Department of Environmental Quality.

(E) **Maricopa County Board of Health.** That CoBank receive evidence of approval of plan designs for the improvements by the Maricopa County Board of Health.

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to the MLA to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By:

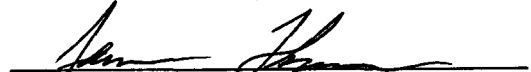


Title:

Asst Corp Secretary

RIO VERDE UTILITIES, INC.

By:



Title:

Asst Secy

11/20/01
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